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Progress Report

March 2004



Program Improves Measurement and Interdiction Activities; Still Supports the State Fair and Dependent Markets

at a glance

The Agricultural Economic Development Program has increased contributions to its marketing efforts, taken steps to reduce operating losses at the farmers' markets, and ended the reassignment of agricultural interdiction staff to special duties. The department has also discontinued some direct services to the Florida State Fair, and improved its ability to determine the return on investment for its marketing programs.

However, the department needs to take further steps to improve the profitability of some farmers' markets and continue to reduce direct support for the Florida State Fair.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken in response to recommendations made in a 2001 OPPAGA report.^{1,2}

Background

The mission of the Agricultural Economic Development Program is to assist Florida's farmers and agricultural industries with the promotion of agricultural products. As shown in Exhibit 1, the program is organized into six entities.

¹ Section 11.51(6), F.S.

² *Agricultural Development Program Met Standards, But Activities Should Become Financially Self-Supporting*, [Report No. 01-60](#), November 2001.

In Fiscal Year 2003-04, the Legislature appropriated \$114.1 million and 1,265 staff positions to perform these services (see Exhibit 1). Approximately \$43.7 million or 38.3% of the program funding is from general revenue. Various trust funds provide the remaining \$70.4 million.

Exhibit 1 Activities, Funding, and Positions for Each Program Entity

Organizational Entity / Activity	Fiscal Year 2003-04 Funding	Number of Positions
Division of Plant Industry <ul style="list-style-type: none">▪ Pest identification eradication and control▪ Plant and apiary inspections▪ Plant health export inspections	\$ 49,332,953	345
Division of Marketing and Development <ul style="list-style-type: none">▪ State Farmers' Markets▪ Agricultural product promotion and information▪ Fair regulation	22,087,737	194
Division of Fruit and Vegetables <ul style="list-style-type: none">▪ Citrus inspection▪ Vegetable inspection	16,232,991	306
Agricultural Interdiction Stations <ul style="list-style-type: none">▪ Agricultural inspection▪ Bill of lading inspection	12,504,643	210
Division of Animal Industry <ul style="list-style-type: none">▪ Animal disease control▪ Diagnostic laboratories	9,558,895	158
Division of Aquaculture <ul style="list-style-type: none">▪ Shellfish disease control▪ Aquaculture development	4,418,404	52
Program Total	\$114,135,623	1,265

Source: Department of Agriculture and Consumer Services and the Fiscal Year 2003-04 General Appropriations Act.

Previous Findings

Our 2001 report found that the Agricultural Economic Development Program met or exceeded most of its legislative performance standards for Fiscal Year 1999-00 and 2000-01, but identified several opportunities for the program to improve its performance.

State farmers' markets were not self-sufficient

The state farmers' market program owns and operates 13 wholesale produce markets located throughout Florida. Changes in the agricultural industry have resulted in some of these markets experiencing declining commodity sales, operating losses, and significant outstanding maintenance requirements. Our prior report found that the markets operated at a deficit of \$361,573 during Fiscal Year 1999-00.

We identified two actions that could enable the state farmers' market program to be self-supporting. First, the department could close the Bonifay, Sanford, and Starke farmers' markets and let their operations either be taken over by local government or combined with one of several markets nearby. Second, the department could implement other operating efficiencies identified by the program, such as increasing lease rates, reducing personnel costs at the Pompano market, and relocating administrative offices to state-owned property.

Diversions of staff from agricultural interdiction station staff were hindering program results

The program operates 22 agricultural interdiction stations that inspect agricultural products entering the state by roads and highways to ensure that the products are free of disease and safe to consume. However, in Fiscal Year 2000-01, the program diverted 28,000 staff-hours from agricultural interdiction stations to perform other assignments, such as citrus canker eradication efforts and providing services to the Florida State Fair. Consequently, the program did not meet its legislative performance standards for agricultural product inspections and tax revenue collections from bills of lading.

Our prior report recommended that the program take steps to reduce these manpower diversions. These steps could include discontinuing security services to the Florida State Fair, contracting with private providers for certain services, or using personnel from other activities for short-term assignments.

The department was providing extensive staff support for the Florida State Fair

The Department of Agriculture and Consumer Services acquired supervisory authority over the Florida State

Fair Authority in 1995 because it was experiencing financial instability. At the time of our prior report, the department was spending approximately \$134,400 annually for a variety of direct services to the Florida State Fair authority, such as marketing, law enforcement, information technology, and administrative assistance. This amount did not include salaries for some of the staff that provided these services. As the fair had become profitable, we recommended that the department take steps to reduce its direct staff support and enable the fair to be self-supporting. The department should continue to provide services it provides to other agricultural events, such as health testing of displayed animals.

Marketing activities needed comprehensive plans and stronger methods of identifying impacts

The program's marketing function promotes and markets Florida agricultural and seafood products. While the program had developed marketing plans for individual marketing efforts, it had not established overall strategies, critical objectives, or a system to determine the extent to which those objectives were being attained.

Our prior report recommended that the program develop a comprehensive annual marketing plan that would provide a basis for evaluating the success of each major campaign, including calculating the campaign's direct impact on product sales.

Current Status

The Department of Agriculture and Consumer Services has increased contributions to its marketing efforts, taken steps to reduce operating losses at the farmers' markets, and ended the reassignment of agricultural interdiction staff to special duties. The department also has discontinued some direct services to the Florida State Fair, and improved its ability to determine the return on investment for its marketing programs. However, the department needs to take additional steps to improve the profitability of farmers' markets and continue to reduce direct support for the Florida State Fair.

Program has increased private sector contributions to marketing costs

The Division of Marketing and Development has been successful in gaining substantially greater private sector contributions to its marketing campaigns. In Fiscal Year 2001-02, private sector interests contributed \$503,130 to the bureau's Florida Agricultural Promotional Campaign. This represented approximately 26% of the campaign's annual budget. In contrast, in Fiscal Year 2002-03 the private sector

contributed \$2,484,234, or about 73% of the campaign's annual budget.^{3,4}

Bonifay farmers' market closed; Pompano, Sanford, and Starke markets still marginal

The overall profitability of the state farmers' market system has improved, with a net profit of approximately \$200,000 for Fiscal Year 2002-03.⁵ As recommended in our prior report, the department closed the Bonifay farmers' market. The department has leased the property formerly used by the market to the Holmes County Board of Commissioners for a term beginning April 1, 2002, and ending December 31, 2011, for a fee of \$1. Closing this market resulted in an estimated annual savings of \$55,703 in operating costs. The department also reduced costs by relocating the administrative offices of the Bureau of State Farmers' Markets to state-owned office space and obtained additional revenues from an increase in lease rates as of Fiscal Year 2001-02.

However, the Pompano, Sanford, and Starke markets continue to be financially troubled and either operate at a loss or with minimal sales (see Exhibit 2). The department currently has no plans to close or combine these markets, but is planning steps to make markets self supporting. As of July 1, 2004, the department plans to raise rents for all farmers' market tenants by 5%, and it reports that it may raise rents another 5% in 2005 if needed. Department managers are also looking at ways to reduce department level administrative costs, a share of which is allocated as an expense to each market.

- **Pompano.** Agricultural sales are growing at this market, although it ended Fiscal Year 2002-03 with an operating loss of \$48,290. The program has invested substantial funds in additions and renovations at this market.⁶ Department managers plan to increase lease rates and reduce the market's personnel costs. The department should monitor whether these actions enable this market to become self-supporting.

**Exhibit 2
The Pompano, Starke, and Sanford Farmers' Markets Are Marginal**

	Fiscal Year		
	2000-01	2001-02	2002-03
Pompano Farmers' Market			
Net revenue	\$ (105,192)	\$ (127,534)	\$ (48,290)
Gross commodity sales	57,918,117	62,619,991	68,235,061
Starke Farmers' Market			
Net revenue	\$ 16,017	\$ 9,290	\$12,240
Gross commodity sales	660,157	155,947	0
Sanford Farmers' Market			
Net revenue	\$ (46,875)	\$ (91,696)	\$ (47,946)
Gross commodity sales	2,541,162	3,341,246	38,657,757

Source: Florida Department of Agriculture and Consumer Services, *Florida State Farmers' Markets Annual Summaries*, Fiscal Years 2000-01, 2001-02 and 2002-03.

- **Starke.** Commodity sales at the Starke farmers' market deteriorated to zero during Fiscal Year 2002-03. The market's sole commodities tenant relocated, and its only remaining tenant is a farm supply store. Although the market generated a small net profit (\$12,240) from tenant leases, the market is no longer serving the program's purpose of supporting the sale of local agricultural commodities. If the department is unable to recruit new tenants that can serve local producers, the department should close the market or turn it over to local government.⁷
- **Sanford.** This market's commodity sales increased to nearly \$39 million in Fiscal Year 2002-03, although the department attributes this increase to its tenants' improved reporting of sales information rather than an actual sales increase. However, the market had a net operating loss of \$47,946 in Fiscal Year 2002-03. The department has taken steps to improve the market's profitability by completing a revitalization project, which should enable it to increase rental income; the department also has recruited a new tenant for the market. The department should monitor whether these actions improve the market's long-term profitability.

Agricultural interdiction station staff reassignments ended

As recommended in our prior report, the department has discontinued assigning agricultural interdiction officers to provide security services to the Florida State Fair and other special duties that take officers away from the interdiction stations.⁸ The department increased the number of bills of lading transmitted to the Department of Revenue by 36%

⁷ The department has deferred plans for capital improvements at this market due to its low occupancy rate.

⁸ The department is using other agricultural law enforcement officers for these duties.

³ Additional campaigns not housed in the bureau generated \$471,015 in private sector funding for Fiscal Year 2001-02 and \$644,103 for Fiscal Year 2002-03. The federal government contributed \$607,662 to the bureau's promotional efforts in Fiscal Year 2001-02, and \$242,829 in Fiscal Year 2002-03.

⁴ During Fiscal Year 2002-03, approximately 73% of industry contributions, or \$1,810,500, was in the form of advertisements for the bureau's Northern Exposure promotional campaign.

⁵ When calculating the revenues and expenses for the state farmers' system, we excluded division overhead and non-operating capital outlay.

⁶ The program's expenditures for renovations were \$1,896,577 in Fiscal Year 2000-01, \$916,457 in Fiscal Year 2001-02, and \$38,867 in Fiscal Year 2002-03.

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between Fiscal Years 2001-02 and 2002-03 (from 83,092 bills of lading to 113,372). Although the amount of revenue generated by bills of lading also increased, the rate of increase was much lower than for the number transmitted. The program's efforts resulted in collecting \$15,054,541 for Fiscal Year 2002-03 compared to \$14,947,780 for Fiscal Year 2001-02 (an increase of 1%).⁹

The Bill of Lading Program is a joint cooperative effort between the Department of Agriculture and Consumer Services and Department of Revenue. The Department of Agriculture and Consumer Services does not entirely control the amount of revenue generated. Its interdiction officers are responsible for identifying bills of lading that appear to have potential for tax recovery, and then scanning and forwarding these documents to the Department of Revenue for processing. Department of Revenue employees are responsible for reviewing and then selecting bills of lading to further investigate for the purpose of collecting unpaid sales and use taxes. The Department of Revenue has reduced the number of staff assigned to review bills of lading, and focuses its efforts on the bills of lading with the greatest potential for tax recovery.¹⁰

The department has reduced direct support to the Florida State Fair

The department has reduced some of its direct support for the Florida State Fair. The department has eliminated the position of assistant executive director of the Florida State Fair Authority, which resulted in an estimated cost savings of \$90,000.

However, the department continues to provide direct support to the fair by sending staff to provide administrative assistance and security at the fair before and during the two weeks the fair annually operates.¹¹ The department estimated that the salary, benefit, and travel cost of sending 27 employees (including 22 law enforcement officers to provide security) was \$65,120 for the time period January 27 through February 18, 2004.¹² We continue to believe that the department

should work to reduce its direct support of the fair and enable it to operate more independently.

The department has improved information to evaluate marketing campaign effectiveness; comprehensive plan still needed

The program has improved its process for evaluating the outcomes of its agricultural marketing campaigns. In addition to measuring marketing impressions (consumer contacts) that result from its efforts, the program now also uses formulas created by the University of Florida, Institute of Food and Agricultural Sciences (IFAS) to measure a promotional campaign's return on investment and effect on Florida's economy.¹³

We continue to believe that the division should establish a comprehensive marketing campaign that identifies overall strategies, critical objectives, and marketing priorities. The division continues to plan each of its promotional campaigns individually. A comprehensive marketing plan that identifies overall strategies and marketing priorities would help assure that the division targets its limited resources towards activities that produce the greatest returns for Florida's agricultural producers.

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⁹ There was a greater rate of increase in bills of lading transmitted and revenue collections between Fiscal Years 2000-01 and 2001-02. The number of bills of lading the department transmitted to the Department of Revenue increased by 74% (from 47,711 during Fiscal Year 2000-01 to 83,092 during 2001-02). For this same time period, the revenue collected from bills of lading increased by 42% (from \$10,562,899 to \$14,947,780).

¹⁰ The Department of Revenue reduced staffing for this function from 13 employees at the end of Fiscal Year 2000-01 to 8 employees in Fiscal Year 2003-04.

¹¹ Administrative assistance predominantly consists of supervising and auditing concession and ticket sales and providing information technology support for the attendance database.

¹² This cost estimate excludes the costs associated with duties department administrators consider regular managerial/administrative responsibilities that would be provided to or carried out for the benefit of any organizational entity of the department,

agricultural promotion activities, dignitary protection for the Commissioner and other state officials, inspection activities that would be provided at other similar events, and lodging costs provided by the State Fair for certain employees. Staffing figures exclude seven employees who attended the fair during this time period to provide oversight. We also excluded ongoing department oversight activities such as attending quarterly fair authority meetings, auditing operations, and evaluating procurement processes.

¹³ The program's Return on Investment formula is based on the number of stores running the campaign's advertisement, number of weeks the advertisement runs, stores' average weekly customer count, percentage of customers who buy produce, estimated percentage of those customers who will buy an item featured in the campaign, and average prices of the items featured in the campaign. After calculating the return on investment, the program uses multipliers developed by IFAS to estimate job creation and total value added to the Florida economy.